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BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL
CHAIRMAN
JIM IRVIN
COMMISSIONER
MARC SPITZER
COMMISSIONER

IN THE MATTER OF THE APPLICATION OF LITCHFIELD PARK SERVICE COMPANY FOR AN INCREASE IN ITS WATER AND WASTEWATER RATES FOR CUSTOMERS WITHIN MARICOPA COUNTY, ARIZONA	**DOCKET NO. W-01427A-01-0487** **DOCKET NO. WS-01428A-01-0487** **NOTICE OF FILING CLOSING BRIEF**

City of Litchfield Park, Intervenor in this action, by and through its attorneys, hereby files its Closing Brief.

Respectfully submitted this 4th day of October, 2002.

MARTINEZ & CURTIS, P.C.

Paul R Michaud

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Arizona Corporation Commission
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TO CITY OF LITCHFIELD PARK CLOSING BRIEF

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BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE APPLICATION OF LITCHFIELD PARK SERVICE COMPANY FOR AN INCREASE IN ITS WATER AND WASTEWATER RATES FOR CUSTOMERS WITHIN MARICOPA COUNTY, ARIZONA	**DOCKET NO. W-01427A-01-0487** **DOCKET NO. WS-01428A-01-0487** **CITY OF LITCHFIELD PARK CLOSING BRIEF**

The City of Litchfield Park ("City") submits its Closing Brief in the above-entitled matter.

I. INTRODUCTION

This supplemental proceeding involves two issues critical to ensuring the ratepayers of Litchfield Park Service Company ("LPSCO") are paying fair and reasonable rates, both now and in the future. The first issue involves protection of the ratepayers from arbitrary policies benefiting LPSCO's developer parent, SunCor Development Company ("SunCor"), to the detriment of its ratepayers. The second issue involves the fair and equitable allocation of the cost of growth between shareholders, developers, existing ratepayers and future ratepayers. The State of Arizona, as part of its Growing Smarter policy, has insisted that cost of growth be paid by growth. Chap. 1, 4th S.S. (2000). As was demonstrated at hearing and will be further demonstrated in this Brief, the Settlement Agreement proposed by LPSCO, the Staff of the Arizona Corporation

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Commission ("Staff") and the Residential Utilities Consumer Office ("RUCO") fails to adequately address these two issues and should either be amended or rejected.

II. GENERAL BACKGROUND: LPSCO'S RAPIDLY GROWING SERVICE AREA

LPSCO is a wholly owned subsidiary of SunCor. SunCor's primary business is the acquisition and development of real estate. C-14 (SunCor 2000 Annual Report), p.16. SunCor's holding includes 11,340 acres of land referred to as Palm Valley. Id., p. 17. Approximately 9,500 acres are included in the master-planned area ("PVMP"). As of December 31, 2000, approximately 7,400 acres owned by SunCor remained to be sold or developed within Palm Valley. Id. During 2000, SunCor sold 614 acres in Palm Valley to other developers and homebuilders for $23.8 million with a gross margin of $17.8 million. Id., p.8. In addition SunCor sold 361 lots, including 300 lots to the Pebblecreek development. Id. Overall, SunCor had $50.6 million in land sale, with gross margins thereon of $27.2 million in 2000. Id.

SunCor acquired LPSCO in 1986 from Goodyear Tire & Rubber Company. C-18 (Black & Veach, Engineer's Feasibility Report for 1999 Industrial Development Authority), p.1. SunCor is developing approximately 9,000 acres of land in LPSCO's CC&N (Id., p.2), which constitutes the vast majority of the land with LPSCO's CC&N. C-3 (Cicchetti, Direct), MAC-2. In 1990 SunCor was actively master planning the PVMP, including preparing a Water Supply Master Plan.[1] C-15 (John Carollo Engineers, Water Supply Mater Plan). At that time the service area was limited to a small portion of

1 The City and this Brief's discussions focused on the improvements to the water system because the issues of growth are similar for both water and sewer and because the sewer system dynamics will be altered significantly once the new treatment plant is on line.

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LPSCO's CC&N encompassing the City and the Wigwam Resort. Id., Fig. VII-1. The 1990 Master Water Plan, pp. VII-1-3, described the then existing system as follows:

> "Potable water supplies currently supplied to Litchfield Park by LPSCO through four wells: T-1, T-2, T-4 and T-5. Wells T-1 and T-2 discharge through a 12-inch pipe into a reservoir at the Dysart Road Pump Station. Wells T-4 and T-5 discharge into the same reservoir through a 24-inch pipe....The reservoir...has a volume of 6 million gallons. The Dysart Road Pump Station pumps water from the reservoir into the distribution system. The Pump Station was constructed with space for five pumps. Three 2,000 gpm capacity pumps are currently installed...LPSCO is currently using a 1,000 gpm booster pump station to increase pressures in the Northwest part of the Litchfield Park distribution system. This is only a temporary measure and does not fit into the long term development of water supply facilities in the area.
>
> The Wigwam Golf Courses are not irrigated with water from the potable supply system. Water is instead drawn from the Airline Canal which is owned and operated by SunCor."

The purpose of the Water Plan "was to evaluate the water supply facilities needed to meet the increased water demands brought about by the projected development in the study area." Id., ES-1. The Water Plan reviewed 5 alternatives and estimated the cost of capital improvements for the water system to be between $20 million and $27 million. Id. Tables IX-1 through 5. LPSCO acknowledges that the improvements made to its system since 1990 have generally conformed to this plan (Tr. V. 3, p. 376, ll. 2-14) and largely benefit lands owned by SunCor. Id., pp. 378-79, ll. 20-3.

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In 1993 SunCor, without first entering into any service agreement with LPSCO, commenced expanding the water and sewer systems, as it deemed necessary to serve the two separate developments within the Palm Valley Community it was developing. Tr. V. 3, p. 389, ll. 5-20 and p. 393, ll. 6-14. SunCor extended water and sewer facilities westerly more than two miles to serve Pebblecreek (a retirement community located in Sections 29 and 30) (C-6 (Map of LPSCO Water System) and more than a mile to the south to serve the Palm Valley subdivision, centered in Section 34. Id. Ultimately, in 2000, seven years after construction was commenced, LPSCO entered into line extension agreements encompassing $736,726 of on-site facilities installed in Palm Valley (Tr. V. 3, p. 393, l. 5) and Pebblecreek. Id., p. 393, ll. 6-14. However, the miles of transmission lines were booked as an equity contribution years earlier.

LPSCO's Original Cost Less Depreciation Rate Base (OCRB) for the water system increased from $534,171 as of March 31, 1993 to $1,835,000 as of December 31, 1996 and is at $5,909,975 as of December 31, 2000 under the proposed settlement.[2] C-3 (Cicchetti, Direct), p. 4, ll. 17-23. It is evident that LPSCO has installed significant backbone plant to serve the areas being developed by SunCor since the last rate case, including 2,640 feet of 24-inch line, 15,440 feet of 16-inch line, 6,250 feet of 12-inch line, 10,283 feet of 8-inch line, 2 production wells and 1 booster pump. Compare C-11 (Chelus, Direct), JC-1, p. 4 with S-4 (Scott, Direct), MSJ-1, p. 3. Yet, during 1997, 1998 and 1999 not one dollar of plant was booked as an advance. C-17. A significant portion of the plant installed since 1996 has been installed in sections that had little or no

2 The OCRB for the sewer plant has increased from $634,418 as of March 31, 1993 to $8,691,827 under the proposed settlement agreement. C-3 (Cicchetti, Direct), p.4, ll. 23-24.

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customers as of the end of the test year. C-4 (Cicchetti, Surrebuttal), MAC-4. These facilities, however, are located in or in the vicinity of sections that involve anticipated development, including the next phase of development for Palm Valley (Section 33), the Stardust Development (Section 15) and Pebblecreek (Section 30). Id. at MAC-5. For example, there is the $ 241,177 for oversizing a line running North along Litchfield Road (Section 15) and East along Bethany Home Road for which Stardust Development advanced the remainder of the cost (Project 35). C-5 (Cicchetti, Surrebuttal), MAC-6 & 8. No customers were being served in this area as of the end of the test year, but developments involving more than 1,800 customers are planned for this area. Id. at MAC-5. Another $515,226 was expended for a series of 12 and 16-inch lines installed along the perimeter and through the interior of Section 33 (Projects 10, 20 and 33) where 1,600 developments for 1,600 customers are being pursued. Id. at MAC-5, 6 & 8.

While LPSCO's customer base has grown from 1,567 customers in 1993 (when LPSCO's service area was synonymous with the City)[3] to 5,541 at the end of the test year (C-3 (Cicchetti, Direct), p.5, l. 11-13), the vast majority of LPSCO's certificated area remains to be developed. At least 13 developments were underway at the end of the test year. C-5 (Cicchetti, Surrebuttal), MAC-5; C-16 (CAGRD member lands). These new developments represent approximately 9,000 new customers, including 1,200 in Section 33; 1,097 in Section 14; 1,702 in Section 15. LPSCO projects more than 600 water and sewer customers will be added each year for the foreseeable future. LPSCO

3 At the end of 2000, there were still only 1,570 metered water customers within the City. A-5 (Ellis, Rejoinder), DWE-2. Certainly, Mr. Ellis' attempt to attribute a proportionate share of the cost of upgrading booster stations, wells and other backbone plant to the City based upon the percentage of customers in the City simply does not ring true.

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also projected a capital improvement budget of $6,052,900 for water and $4,335,700 for sewer (excluding the new $18 million treatment plant) to be expended over the 5-year period 1999 through 2003. C-18 (Engineer's Feasibility Report), p. 6.

The foregoing facts, coupled with an examination of Exhibit C-6, demonstrates LPSCO's backbone water system has expanded, and will continue to expand to meet the needs of growth outside the City. Between 1993 and 2000 that growth primarily involved Pebblecreek and Palm Valley. Future growth will involve expansions of these two developments, as well as several other developments. Facilities have been and will continue to be installed to serve this growth. If debt and equity remains the primary funding vehicle, LPSCO's existing ratepayers will be required to bear a disproportionate burden for the cost of this growth. The City is proposing that the cost be distributed more equitably between existing customers, developers and future customers.

III. THE INTERRELATIONSHIP BETWEEN LPSCO AND SUNCOR HAS RESULTED IN IMPLEMENTATION OF POLICIES AND ACTIONS DETRIMENTAL TO THE RATEPAYERS

A. LPSCO's Backbone Policy Advantages SunCor to the Disadvantage of LPSCO Ratepayers.

Commission rule A.A.C. R14-2-406.B permits a water utility to require an applicant for service to pay to the utility a refundable advance-in-aid-of-construction encompassing the cost of all mains, including all valves and fittings, as well as the cost of additional facilities required to provide pressure, storage or water supply for the requested service. Utilization of advances to finance line extensions and other water facilities needed to provide service to a particular development protects ratepayers in

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multiple ways: First, the utility does not need to use internal capital or encumber its assets through debt to build the facilities, reserving these funding sources to meet the needs of existing customers. Second, plant is not allowed in rate base or allowed to earn a return, until the advance is repaid. Since repayment is tied to water revenues generated from the development, increases in rate base are tied to the success of the development, protecting ratepayers from paying the utility a return on plant installed to meet the needs of an unsuccessful or slow development. An advance is not "free" to the ratepayer. Once the plant is deemed used and useful, the ratepayers pay, through rates, 100% of the depreciation expense associated with the plant.

LPSCO's "policy" is to use debt or equity to finance backbone facilities installed in that portion of its certificated area that existed prior to the expansion granted by Decision No. 63151, dated November 16, 2000 (the "pre-2000 CC&N"). As set forth above, LPSCO's pre-2000 CC&N encompasses lands predominately owned and developed by SunCor. Therefore, under LPSCO's policy, the backbone plant necessary to serve the PVMP area developed by SunCor as set forth in the Water Master Plan (C-15), has been funded by equity, and more recently, debt. Neither SunCor nor third party developers acquiring land from SunCor have been required to provide advances or contributions to finance this backbone plant.

LPSCO has a different policy for developers seeking water service outside of LPSCO's pre-2000 CC&N (even if a portion of their lands were within LPSCO's pre-2000 CC&N). For these developers, LPSCO requires substantial contributions and advances toward the backbone facilities installed to serve these developments, including a

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$1,500 sewer hook-up fee per new connection. LPSCO testified (A-8 (Ellis, Rebuttal), p. 4, ll. 14-17) that:

> "Making customers who are joining the CC&N advance the entire infrastructure costs associated with their developments is specifically designed to protect LPSCO's existing customers. They should not be harmed by expanded [sic] the CC&N area and the CC&N should not be expanded if they are not specifically benefited by the expansion."

LPSCO never explained, nor can it, why existing customers are not entitled to the same level of protection from expansion within the pre-2000 CC&N. C-5 (Cicchetti, Surrebuttal), p. 2, ll. 19-23.

RUCO argues overuse of AIAC and CIAC can cause cash flow problems and an inability for the ability to generate income. R-5 (Diaz Cortez, Rebuttal), p. 8, ll. 19-22. While the City agrees this could be an issue, there has been no demonstration that implementing a uniform AIAC policy requiring all developments to pay their entire infrastructure costs will cause such problems. C-5 (Cicchetti, Surrebuttal), p. 13, ll. 10-22. An advance merely allows a utility to spread out its payment for facilities without paying interest. Otherwise, the utility must fund the entire plant up front. Mr. Ellis recognized that payment of advances would not have a significant impact on LPSCO's cash flow because the "refund is typically 10 percent, and you don't make the refund unless you have the revenue to support it. So I think that's...why I favor the refund." Tr. V. 3, p. 439, ll. 15-23. Where, as in the case with LPSCO, most of the plant has been installed within the last nine years and is in good condition (C-18, p.4), the repairs and maintenance needs should be minimal and cash flow should remain a non-issue. No one

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disputes that similar "benefits" would flow to ratepayers if the same policy were applied uniformly throughout LPSCO's certificated area.

LPSCO's "policy" on the funding of backbone plant, including transmission lines, clearly favors SunCor owned lands over non-SunCor owned lands and is arbitrary. The Company testified that the same developer pursuing an identical development outside the pre-2000 CC&N would be required to pay advances for backbone plant, where LPSCO would provide the backbone plant if located within the pre-2000 CC&N.[4] Tr. V. 3, pp. 419-20, ll. 24-15.

For these reasons, the City advocates approval of the settlement agreement be conditioned on LPSCO adopting the same policy regarding advances and contributions within its pre-2000 CC&N as it has adopted for outside its pre-2000 CC&N, i.e., require advances for backbone facilities and the $1,500 sewer hook-up fee within the pre-2000 CC&N, as well as outside the pre-2000 CC&N.

If the Company is able to pay for the backbone plant upfront as equity, paid in capital or through loans, there is no reason to believe that they will not be able to finance the cash flow obligation associated with repaying advances. Again, the function of an advance is to provide low cost capital that is not repaid until customers are in place and producing revenues. Use of advances merely places the risk of an unsuccessful development on the developer rather than the ratepayer.[5]

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4 Mr. Ellis further testified that LPSCO might charge an advance within the pre-2000 CC&N if the Company had no track record with the development and had no assurances that the development was viable. However, LPSCO has established no criteria to implement this policy, making its overall advance policy even more arbitrary. Tr. V. 3, pp. 416-19, ll. 3-23.

5 RUCO submitted a copy of LPSCO's most recent annual report and argued that the percentage of advances had increased significantly in the year 2001. It must be remembered that the annual report

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Finally, LPSCO has failed to timely execute Main Extension Agreements with its subsidiaries regarding Palm Valley I and Pebblecreek. LPSCO booked the actual cost of the plant in 2000, even though the plant was installed as early as 1993. LPSCO acknowledges the plant has been in use since installed. Tr. V. 3, pp. 386, ll. 10-14. The decision not to execute Main Extension Agreements does not warrant ignoring the depreciation of the facilities installed at Palm Valley I and Pebblecreek. Therefore, at a minimum, the plant should be booked after deducting accumulated depreciation. Furthermore, the failure to enter into Main Extension Agreements regarding Palm Valley I and Pebblecreek for seven years reflects a discussion on the part of LPSCO and SunCor to treat the plant as a contribution rather than an advance.

B. Various Development Agreements Between SunCor and Third Parties Contain Provisions Discriminatory to LPSCO's Ratepayers.

This Section involves discussion of confidential documents and portions of the transcript that were sealed as confidential. Therefore, the City has filed an original and 15 copies of this section directly with the ALJ and requests the ALJ authorize the docketing and distribution of this portion of the Brief to the Commissioners, their aides and other ACC Staff members.

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reflects an un-audited statement of the Company at a particular point in time. The fact is the level could just as easily shift downward when the entire sewer plant is booked. This testimony is insufficient to place the burden of financing backbone plant, including main lines, on ratepayers or to allow the Company to maintain its discriminatory and arbitrary advance policy.

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IV. THE RATES AND CHARGES DO NOT EQUITABLY DISTRIBUTE THE BURDEN BETWEEN SHAREHOLDERS, DEVELOPERS, EXISTING CUSTOMERS AND FUTURE CUSTOMERS

The City has demonstrated that LPSCO's investment in plant has been fueled by growth. As discussed earlier, over $765,000 in plant has been installed in areas where development is planned, but few or no customers existed at the end of the test year. It is inequitable and unreasonable for existing ratepayers to be required to pay 100% of depreciation, operating and maintenance expense and also provide a return on plant that benefits future customers. Future customers, or the developers that profit from the land sale, should bear the burden of paying for the infrastructure that serves them. The City suggests the Commission establish an "Allowance for Funds Prudently Invested" (AFPI) to be paid by future customers. The AFPI approach is utilized in Florida and allows prudent plant costs associated with expected growth to be passed on to the future customers that will be served by that plant, without the need for repeated rate cases. Under the AFPI method, a carrying charge is developed that covers the full cost of the plant to be used by future customers and is collected from the new customers at the time of connection. C-3 (Cicchetti, Direct), p. 13, ll. 14-19. The AFPI method allows for recovery of a fair rate of return on plant, any un-funded expenses, depreciation, any unrecovered O&M associated with the qualifying plant, income taxes, and any state regulatory assessment fees. Id. at p. 14, ll. 23-26.

Based upon the information available, C.H. Guernsey & Co. determined the existing system had capacity sufficient to serve 1,519 additional customers, subject to supplementing the production capacity (C-3 (Cicchetti, Direct), p. 75, ll. 6-10), representing an investment of $1,271,403 in plant for future growth. C-4 (Cicchetti,

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Surrebuttal), MAC-2. This calculation was based upon an evaluation of the system, as a whole. The reasonableness of the calculation was validated by examining the cost of the plant installed where few or no customers currently exist (approximately $750,000). Id., pp. 8-9, ll. 16-9. Mr. Cicchetti determined the $1,271,403 reasonably reflected the amount of excess plant to be used in calculating the AFPI. Therefore, the City requests that LPSCO's base water rates be calculated after removing the $1,271,403 from rate base and that the Commission set rates and charges at the level set forth in C-5 (Cicchetti, Surrebuttal), MAC-3, a copy of which is attached hereto. However, the City further proposes an AFPI be established in this case to permit LPSCO to recover its investment in this plant from future customers. The AFPI results in a variable fee that increases to reflect the holding costs associated with the plant. The longer the plant remains unused, the higher the AFPI. The specific AFPI charges recommended by the City are set forth in C-4 at MAC-2, p. 4, a copy of which is attached hereto.[6]

V. THE FAILURE TO IMPLEMENT HOOK-UP FEES AND A UNIFORM ADVANCE POLICY WILL COMPOUND THE INEQUITIES IN FUTURE RATE PROCEEDINGS

As reflected in the discussion above, the LPSCO service area has significant ongoing development that is just commencing. While the City requested data on the infrastructure planned to serve this growth, LPSCO successfully objected to these requests and was only required to provide information through the test year. However, the 1990 Water Master Plan, the growth and projected plant expansions reflected in the

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6 The City acknowledges that the ACC has never utilized this approach, but has recommended it based upon the particular facts in this case where plant is being installed to benefit future customers, but appears to represent a prudent investment. In the event the Commission determines that a different value should be utilized for the excess capacity, the City can promptly recalculate the AFPI for the value of plant the Commission determines to be excess to the needs of existing customers.

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documentation used to support the issuance of $5,335,000; the fact that LPSCO supported a $295 water hook-up fee; the fact that LPSCO has implemented a $1,500 hook-up fee in areas outside its pre-2000 CC&N; and the fact that a $300 water hook-up fee represents approximately 15% of the per customer plant investment, all supported the reasonableness of a $1,500 sewer hook-up fee and a $300 water hook-up fee proposed by the City. The hook-up fee applies across the board so that all new connections pay their fair share. Importantly, to the extent a developer makes an advance for backbone facilities, a credit would be provided against hook-up fee obligations within its development. There is no double collection. Developers would primarily advance funds, but to the extent their contribution was less than the amount of the hook-up fees that would otherwise be generated, the hook-up fee would be collected to make up the difference. Mr. Cicchetti explained that such a level of hook-up fees was very reasonable and well below the 75% target for contributions utilized by other Commissions such as the Florida Commission. C-4 (Cicchetti, Supplemental), p. 13, ll. 13-22.

VI. CONCLUSION

LPSCO's service area is fast growing. Significant capital improvements have been constructed and will continue to be constructed to meet that growth. The City proposes that the Settlement Agreement include provisions:

1. Implementing a uniform advance policy requiring the advance of all backbone plant installed to serve particular developments;
2. Establishing new hook-up fees ($300 water and $1,500 sewer) to recover the initial cost of future plant expansions;

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3. Deducting $1,271,403 of excess plant from rate base and approve rates as set forth in Cicchetti, Surrebuttal, MAC-3, attached;
4. Establishing AFPI charge to recover the costs of the excess plant from future plants as set for in Cicchetti, Surrebuttal, MAC-2, attached;
5. Deducting the accumulated depreciation of the plant associated with Palm Valley I and Pebblecreek Main Extension Agreements; and
6. Treating the reduced value of the Palm Valley I and Pebblecreek plant as contributions.[7]

Respectfully submitted this 4th day of October, 2002.

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7 An additional recommendation is contained in the confidential portion of this Brief.

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PROOF OF SERVICE AND
CERTIFICATE OF MAILING

I hereby certify that on this 4th day of October, 2002, I caused the foregoing document to be served on the Arizona Corporation Commission by hand-delivering the original and fifteen (15) copies of said document to:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

With copies of the foregoing hand-delivered this 4th day of October, 2002 to:

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Litchfield Park Service Company
DOCKET NO. 020000-W

Allowance for Funds Prudently Invested
Calculation of Carrying Cost Per REU Per Month:

	2000	2001	2002	2003	2004	2005
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January	13.03	170.34	339.40	521.18	716.82	908.70
February	26.06	184.35	354.46	537.38	734.27	908.70
March	39.09	198.35	369.51	553.58	751.71	908.70
April	52.11	212.35	384.56	569.78	769.15	908.70
May	65.14	226.35	399.61	585.98	786.60	908.70
June	78.17	240.35	414.67	602.18	804.04	908.70
July	91.20	254.35	429.72	618.38	821.48	908.70
August	104.23	268.35	444.77	634.58	838.93	908.70
September	117.26	282.35	459.82	650.78	856.37	908.70
October	130.29	296.35	474.88	666.98	873.81	908.70
November	143.32	310.35	489.93	683.18	891.26	908.70
December	156.34	324.35	504.98	699.38	908.70	908.70

CITY OF LITCHFIELD PARK PROPOSAL
WATER DIVISION
Test Year Ended December 31, 2000

SUMMARY OF WATER REVENUES AT PRESENT AND PROPOSED RATES

DESCRIPTION	REVENUES IN THE TEST YEAR (1) PRESENT	PROPOSED IN ORIGINAL FILING	CITY OF LITCHFIELD PARK PROPOSAL	INCREASE AMOUNT	INCREASE PERCENT
3/4" Meters (2)	$740,155	$1,107,543	$950,025	$209,870	28.35%
1" Meters	373,582	562,428	$482,438	$108,856	29.14%
1 1/2" Meters	99,593	151,178	$129,677	$30,084	30.21%
2" Meters	301,345	457,671	$392,580	$91,235	30.28%
4" Meters	67,554	102,965	$88,321	$20,767	30.74%
10" Meters	17,634	26,885	$23,061	$5,427	30.78%
Hydrant Sales	22,000	73,500	$73,500	$51,500	234.09%
Total Metered Sales	1,621,863	2,482,170	2,139,602	517,739	31.92%
Other Revenues	61,740	77,270	77,270	15,530	25.15%
Total Water Revenues	$1,683,603	$2,559,440	$2,216,872	$533,269	31.67%

NOTES:
(1) Including Revenue Pro Forma Adjustments
(2) Includes 5/8"x3/4" Meters

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CITY OFLITCHFIELD PARK PROPOSAL
WATER DIVISION
Test Year Ended December 31, 2000

PROPOSED CHANGES IN WATER RATES

DESCRIPTION	PRESENT RATE	ORIGINAL FILING PROPOSED RATE	SETTLEMENT RATES	CITY PROPOSED RATE
5/8" x 3/4" METERS:				
Monthly Service Charge	$5.20	$7.30	$6.75	$6.30
Rate Per 1,000 - First 5,000	0.63	1.02	0.87	0.85
Rate Per 1,000 - All Usage Over 5,000	0.88	1.36	1.32	1.14
3/4" METERS:				
Monthly Service Charge	$6.40	$9.00	$8.30	$7.77
Rate Per 1,000 - First 5,000	0.63	1.02	0.87	0.85
Rate Per 1,000 - All Usage Over 5,000	0.88	1.36	1.32	1.14
1" METERS:				
Monthly Service Charge	$11.25	$15.90	$14.60	$13.73
Rate Per 1,000 - First 5,000	0.63	1.02	0.87	0.85
Rate Per 1,000 - All Usage Over 5,000	0.88	1.36	1.32	1.14
1 1/2" METERS:				
Monthly Service Charge	$22.00	$31.25	$28.60	$26.98
Rate Per 1,000 - First 5,000	0.63	1.02	0.87	0.85
Rate Per 1,000 - All Usage Over 5,000	0.88	1.36	1.32	1.14
2" METERS:				
Monthly Service Charge	$43.70	$62.95	$56.50	$54.36
Rate Per 1,000 - First 5,000	0.63	1.02	0.87	0.85
Rate Per 1,000 - All Usage Over 5,000	0.88	1.36	1.32	1.14

CITY OF LITCHFIELD PROPOSAL
WATER DIVISION
Test Year Ended December 31, 2000

PROPOSED CHANGES IN WATER RATES

DESCRIPTION	PRESENT RATE	ORIGINAL FILING PROPOSED RATE		CITY PROPOSED RATE
4" METERS:				
Monthly Service Charge	$101.20	$144.25	$132.00	$120.72
Rate Per 1,000 - First 5,000	0.63	1.02	0.87	0.85
Rate Per 1,000 - All Usage Over 5,000	0.88	1.36	1.32	1.14
8" METERS:				
Monthly Service Charge	$172.50	$242.00	$225.00	$208.82
Rate Per 1,000 - First 5,000	0.63	1.02	0.87	0.85
Rate Per 1,000 - All Usage Over 5,000	0.88	1.36	1.32	1.14
10" METERS:				
Monthly Service Charge	$254.25	$362.00	$330.00	$302.94
Rate Per 1,000 - First 5,000	0.63	1.02	0.87	0.85
Rate Per 1,000 - All Usage Over 5,000	0.88	1.36	1.32	1.14
12" METERS & LARGER:				
Monthly Service Charge	$345.00	$483.00	$450.00	$444.62
Rate Per 1,000 - First 5,000	0.63	1.02	0.87	0.85
Rate Per 1,000 - All Usage Over 5,000	0.88	1.36	1.32	1.14
CONSTRUCTION WATER:				
Monthly Service Charge	No Rate	$100.00	$100.00	$100.00
Rate Per 1,000 - All Usage	$0.88	$2.50	$2.50	$2.50
Meter Deposit	$400.00	$700.00	$700.00	$700.00

CITY OF LITCHFIELD PARK PROPOSAL
WATER DIVISION
Test Year Ended December 31, 2000

PROPOSED CHANGES IN OTHER RATES & CHARGES (1)

DESCRIPTION	PRESENT RATE	ORIGINAL FILING PROPOSED RATE	CITY PROPOSED RATE
SERVICE CHARGES:			
Establishment of Service:			
Regular Hours	$15.00	$20.00	$20.00
After Hours	30.00	40.00	40.00
Re-Establishment of Service Within 12 Months:			
Monthly Minimum Times Months Disconnected for		No Change	No Change
Both Water and Sewer Service (R14-2-403)		No Change	No Change
Re-Connection of Service:			
Regular Hours	$30.00	$50.00	$50.00
After Hours	45.00	65.00	65.00
Water Meter Test (If Correct)	$25 Plus Cost of Te	No Change	No Change
Meter Re-read (If Correct)	5.00	No Change	No Change
NSF Check Charge	15.00	20.00	20.00
Late Charge	1 1/2% Per Mo.	No Change	No Change
Service Calls - Per Hour:			
After Hours Only	$30.00	$40.00	$40.00
Deposit Requirements	ACC Rule R14-2-40	No Change	No Change
Deposit Interest	ACC Rule R14-2-40	No Change	No Change
REFUNDABLE METER INSTALLATION CHARGES:			
Scheduled Installation Charges:			
3/4" Meters	$300.00	$500.00	$500.00
1" Meters	325.00	600.00	600.00
1 1/2" Meters	500.00	750.00	750.00
2" Meters	675.00	1,300.00	1,300.00
Unscheduled Installation Charges:			
Charges For Installation of Meters That are 4" or Greater In Diameter Shall be Based on Actual Costs.			

NOTE:
(1) Other Rates & Charges for Customers Receiving Both Water and Sewer Service are not Duplicative.